

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-15 H-02 INR-10 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07 SP-02

SS-15 STR-07 TRSE-00 ACDA-12 PA-02 /137 W

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R 202240Z MAR 78

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9031

UNCLAS SECTION 01 OF 02 MEXICO 04656

E.O. 11652: N/A

TAGS: ENRG, MX

SUBJECT: DIAZ SERRANO'S ADDRESS AT THE 40TH ANNIVERSARY
OF THE OIL EXPROPRIATION CELEBRATION

SUMMARY: DIAZ SERRANO BROKE VERY LITTLE NEW
GROUND IN HIS MARCH 18 SPEECH AT POSO RICA IN CELEBRATION
OF THE 1938 OIL EXPROPRIATIONS. DIAZ SERRANO DID STATE
THAT: THE 1982 GOAL OF 2.25 MMB/D WOULD BE REACHED BY
1980; PROVEN RESERVES NOW SET AT 16 BILLION BARRELS WOULD
REACH 31 BILLION BY 1982; THE REFINERY PROGRAM WOULD BE
GEARED TO EXCEED DOMESTIC DEMAND BY 17 PERCENT AND
PETROCHEMICALS BY 16 PERCENT; AND HE ANNOUNCED AN AGREE-
MENT SIGNED LAST JULY WITH THE PETROLEUM WORKERS/S UNION
THAT ALLOWS PEMEX TO CONTRACT OUT LAND DRILLING OPERA-
TIONS FOR THE FIRST TIME. THE ADDRESS, HOWEVER, CENTERED
ON A REAFFIRMATION OF THE GOM DECISION TO BECOME A MAJOR
PETROLEUM EXPORTER. THE OTHER MAJOR ADDRESS BY OSCAR
TORRES PENCANDO, SECRETARY GENERAL OF THE PETROLEUM
WORKERS' UNION, CENTERED ON THE SAME THEME. END SUMMARY.

1. DIAZ SERRANO'S SPEECH GENERALLY CAPSULIZED THE

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"MEMORIA DE LABORES 1977" RELEASED AFTER THE ADDRESS.
HE DETAILED MEXICO'S CURRENT PETROLEUM RESERVE FIGURES
(OIL AND GAS EQUIVALENTS) AS FOLLOWS: PROVEN RESERVES
- 16.0 BILLION BARRELS (BB); PROBABLE RESERVES - AN
ADDITIONAL 31 BB; AND POSSIBLE RESERVES - 120 BB. DIAZ
SERRANO CHARACTERIZED THE PROVEN RESERVES AS SUFFICIENT
TO MEXICO'S NEEDS FOR THE NEXT 30 YEARS. HE SAID PEMEX

WAS NOW WORKING TO PROVE RESERVES FOR THE NEXT CENTURY AND HE EXPECTED PROVEN RESERVES TO REACH 31 BB BY THE END OF THE CURRENT SEXENIAL.

2. REGARDING EXPLORATION, DS SAID PEMEX HAD LOCATED 26 NEW FIELDS - 17 PRIMARILY OF OIL AND 9 OF GAS, 4 OF THESE WERE EXTENSIONS OF EXISTING PRODUCING ZONES. HE CHARACTERIZED THE GAS FINDS AT MONCLOVA, LAMPOZA AND ULUA AS THE MOST SIGNIFICANT IN THAT THESE ARE THE FIRST DISCOVERIES NOT LOCATED IN THE GULF COASTAL PLAIN. ALSO NOTED AS IMPORTANT WERE THE OFFSHORE FINDS AT AKAL AND BACAB AND THE NON-COMMERCIAL GAS FINDS IN BAJA CALIFORNIA.

3. DS POINTED OUT THAT PRODUCTION HAD INCREASED 27.7 PERCENT IN 1977, REPRESENTING AN INCREASE OF 260,000 B/D. NATIONWIDE DAILY PRODUCTION AVERAGED 1,086 MB/D WHILE THE REFORMA AREA AVERAGED 647 MB/D (735 MB/D IN DECEMBER). NATURAL GAS PRODUCTION AVERAGED 2,046 MMCF/D. DS SAID WORK WAS PROCEEDING WELL ENOUGH THAT THE 1982 GOAL OF 2.25 MMB/D WOULD MOST LIKELY BE MET BY 1980.

4. DS NOTED THAT DURING 1977 PEMEX REFINERIES PROCESSED 835,550 B/D OF CRUDE AND GAS LIQUIDS REPRESENTING A 12.7 PERCENT INCREASE OVER 1976 FIGURES. PEMEX ALSO PRODUCED 200,000 TONS OF BASIC PETROCHEMICALS, AN INCREASE OF 44 PERCENT OVER 1976. DS SAID IT WAS NOT UNCLASSIFIED

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PEMEX'S POLICY TO ENTER THE ALREADY OVERCROWDED MARKET FOR REFINED PRODUCTS AND PETROCHEMICALS, FUNDS CAN BE BETTER APPLIED ELSEWHERE, BUT RATHER TO INSURE MEXICO'S INTERNAL NEEDS WOULD BE MET. FOR THIS REASON PEMEX'S PLANS ARE FOR A REFINERY CAPACITY OF 117 PERCENT OF EXPECTED 1982 DOMESTIC DEMAND AND 116 PERCENT OF EXPECTED BASIC PETROCHEMICAL DEMAND. PEMEX WILL ALSO BEGIN TO PRODUCE SECONDARY PETROCHEMICAL PRODUCTS.

5. PEMEX WILL CONTINUE TO EXPORT CRUDE OIL AND PETROLEUM PRODUCTS BUT WILL SET 3 CRITERIA: 1) THE SALES WILL NOT ENDANGER MEXICO'S RESERVES TO DOMESTIC NEEDS RATIO; 2) MEXICO WILL SELL PRODUCTS AS LONG AS IT CAN ABSORB THE INCOME; AND, 3) ALL SALES WILL BE IN EXCESS OF MEXICO'S DOMESTIC NEEDS. MEXICO EXPORTED AN AVERAGE OF OVER 200,000 B/D OF CRUDE OIL AND REFINED PRODUCTS (4,500 B/D) FOR AN ANNUAL INCOME OF OVER 1 BILLION DOLLARS IN 1977 - A 234 PERCENT INCREASE OVER 1976.

6. DS NOTED THE PROGRESS IN CONSTRUCTION OF THE NATIONAL GAS TRUNKLINE. THIS LINE, WHEN COMPLETED, WILL PROVIDE 800 MMCF/D TO THE NORTHERN PIPELINE SYSTEM UNDER NATURAL

PRESSURE. HE SAID GAS SALES TO THE U.S. ARE STILL POSSIBLE, BUT ONLY AT THE PRICE OF \$2.60/MCF. EXISTING PIPELINES COULD CARRY GAS NORTH TO THE U.S. AT ANY TIME AND, IF SALES ARE COMPLETED AS PER THE ORIGINAL CONTRACT, COMPRESSOR STATIONS CAN BE ADDED TO THE LINE AND A 42 INCH LINE BUILT FROM SAN FERNANDO TO THE U.S. BORDER.

7. THE PEMEX PROGRAM FOR 1978 CALLS FOR 114 EXPLORATORY WELLS - 15 OFFSHORE, 4 LACUSTRINE, AND 95 ON SHORE. AN ADDITIONAL 360 DEVELOPMENT WELLS WILL BE DRILLED AND 23 FOR WATER INJECTION. OIL PRODUCTION IS SCHEDULED TO INCREASE TO 1.6 MMB/D IN DECEMBER 1978 AND GAS TO 2,560 MMCF/D. REFINERY PRODUCTION IS SCHEDULED TO USE 870,000 B/D OF CRUDE THRUPUT AND 135,500 OF GAS LIQUIDS.
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ACTION EB-08

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NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07 SP-02
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THIS IS EXPECTED TO YIELD 998 MMB/D OF REFINED PRODUCTS. IN ADDITION, 17,000 TONS/D OF PETROCHEMICAL PRODUCTS WILL BE PROCESSED. MEXICO EXPECTS TO INCREASE ITS PETROLEUM EXPORTS TO 500,000 B/D BY THE END OF THE YEAR.

8. IN SUMMING UP, DS STATED MEXICO'S GENERAL PETROLEUM POLICY IS: 1) TO SATISFY MEXICO'S IMMEDIATE AND FUTURE

DOMESTIC NEEDS; 2) THE RATIONAL USE OF ALL OF MEXICO'S
HYDROCARBONS (INCLUDING COAL AS WELL AS GAS AND OIL);
AND, 3) THE EXPORT OF ANY SURPLUS IN ORDER TO BUILD AN
ECONOMIC DEVELOPMENT FUND. LUCEY

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